

Hog Prices: ↑ Soymeal: ↑  
Corn: ↓ CDN Dollar: ↑

# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, September 18, 2017

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## Forward contract prices opened mostly higher this morning.

US negotiated cash markets slipped to their lowest level for 2017, pressured by abundant supplies and carcass weights that are climbing faster than normal. The pork carcass cut-out price also reflects the heavy supplies of pork that are hitting the market with the benchmark pork price dropping nearly US\$1.00/cwt for every day last week. The pork belly primal has been the biggest contributor to the losses in the cut-out value, losing more than half its value over the last six weeks. The other primal cuts have seen a slower erosion in price, struggling to find support while export sales volumes have dipped under year ago levels. For several weeks, nearby lean hog futures contracts have been trading at a huge discount to the cash market with last week's discount 5 times the normal relationship at this time of year. Friday's gains of US\$2.00/cwt have helped to narrow the gap, but follow through support in October and December contracts is unlikely without a trend change in the cash market.

## Canadian delivered soymeal prices opened higher this morning.

Strong demand data is supporting the trade to start the week. A national holiday in China that starts in October is cited as rationale for the increasing demand from the region. The thought is that crushers (who are currently experiencing positive margins) are ramping up production ahead of the week-long holiday that will shutter some operations over the duration of the break and bring logistics basically to a halt. As well, NOPA reported a domestic crush that was a record for the month of August at 142.4 million bu. and follows July's 144.7 million bushel crush. The demand, along with the recent bout of dry weather, has influenced the trade to push off the lows; spot meal is currently between \$20 and \$25 higher than the lows put in last week.

**US corn futures opened lower this morning.** Unlike beans, US corn is under pressure to start the week. Some higher prices late last week followed a fairly long trend of pressure which has apparently returned to the trade. Like beans, however, it is the demand side that is making the rounds. Brazil has moved to tax US ethanol imports at 20% after eclipsing 600 million litres (158 million gallons) in a year. This would be of significant concern to the ethanol industry (and subsequently corn demand). As well, China will auction another 3 MMT or corn this week, adding to the bearish tone. The Crop Progress report will be released later today and market watchers will be looking for numbers that reflect the recently past dry weather – although, the forecast out to end of October is looking warmer and wetter.

US Slaughter	
2.432 mil	Last Week
2.368 mil.	Year Ago
Daily Prices	
W. Corn Belt	\$53.50
National	\$65.35
Iowa/S. MN.	\$53.55
Signature 5	\$130.38
HyLife (prev. day)	\$140.29
Britco (prev. day)	\$119.31
TCP/BP2	\$130.38
BoC Rate (Noon) prev. day \$1.2182 CAD / \$0.8209 USD	
Cash Prices Week Ending September 16, 2017	
Signature 3	124.93/56.67
Signature 4	146.86/66.62
Signature 5	135.89/61.64
h@ms Cash	134.39/60.96
HyLife	143.62/65.15
Britco	135.01/61.24
TCP/BP2	147.10/66.72
Year-to-Date Top-Up Estimate	
\$3.49/ckg (call for details)	
ISO Weans	\$23.10 US Avg.
Feeder Pigs	\$36.96 US Avg.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #5		127.36 128.14	118.07 128.93	115.81 123.40	125.16 132.76	133.31 136.24	140.25 144.98	144.65 144.76	148.49 160.43	158.38 169.66	165.56 166.92
Soymeal Wpg Delivered.	431	418	423	423	429	432					

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